

## Level 3 Cambridge Technical in Business 05878

### Unit 10: Economics for business

Wednesday 20 June 2018 – Afternoon

Duration: 2 hours  
C427/1806



**You may use:**

- a calculator

First Name						Last Name				
Centre Number						Candidate Number				
Date of Birth	D	D	M	M	Y	Y	Y	Y		

#### INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional answer space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.

#### INFORMATION

- The total mark for this paper is **90**.
- The marks for each question are shown in brackets [ ].
- This document consists of **16** pages.

FOR EXAMINER USE ONLY	
Question No	Mark
1	/21
2	/8
3	/34
4	/11
5	/16
<b>Total</b>	<b>/90</b>

Read the scenario below.

### **Text 1: The Devon Gaming Bus**

In 2012 Waqar Khan was made redundant from his job in engineering. The factory where he worked, located in Wales, closed. He knew he would have difficulty finding another job in the area because of the high rate of unemployment locally, so he decided to use his redundancy pay to move his family to Devon, in the south-west of England. There, he easily found jobs in the tourist industry, but most of them did not last into the winter. So in 2016, Waqar decided to become a self-employed sole trader. He set up a business, *The Devon Gaming Bus*, using a converted minibus as a place for gaming parties. The inside of the back of the minibus is completely carpeted with a comfortable bench on one side and three large screens on the opposite side. Each screen is connected to the latest Microsoft Xbox console. Four players can use each screen.

*The Devon Gaming Bus* appeals to children and adults. It has received bookings for birthday parties, weddings, festivals and school fairs. Waqar makes sure the Xbox games are age appropriate and has had an official criminal record check to allow him to work with children.

Waqar's 18-year-old daughter, Laiba, has enjoyed helping her father with the business, loading games and selling drinks and snacks. She has just completed a Cambridge Technical in Business and is searching for her first job. Waqar is considering getting a second gaming bus so she can work in the business.

A second bus would mean Waqar would have to find the money to buy another minibus and have it fitted with screens and consoles. His additional costs would be insurance, diesel, more Xbox games, drinks and snacks. Waqar is also considering the need to employ part-time workers to help out on both buses.

Waqar buys games, priced in Euros, from an online seller in Germany who stocks the latest titles at reasonable prices and does not charge a fee for postage and packaging. *The Devon Gaming Bus* already has a successful website and promotional leaflets are handed out at each booking.

Laiba is of the opinion that the demand for Xbox consoles is price elastic. She also believes that the global games console market is an oligopoly.

### **Text 2: The suppliers of games consoles in 2016**

*The Devon Gaming Bus* has always used Microsoft Xbox games consoles, even though there are other options available.

For many years, the games console market has been dominated by three businesses - Microsoft, Nintendo and Sony and their well-known brands - Xbox, Wii and PlayStation (**see Table 1**).

**Table 1: The global games console market in 2016**

<b>Games Console</b>	<b>Global sales in 2016</b>	<b>Approximate price for a basic console in 2016</b>
Microsoft Xbox	16.14 million	£185
Sony PlayStation	13.94 million	£220
Nintendo Wii	6.66 million	£110

Microsoft has recently launched a new console with better graphics and is releasing an Xbox upgrade which allows players to keep using their old games.

Sony has also recently launched a new console with higher quality graphics. In addition, it has launched a new slimmer version of the PlayStation 4.

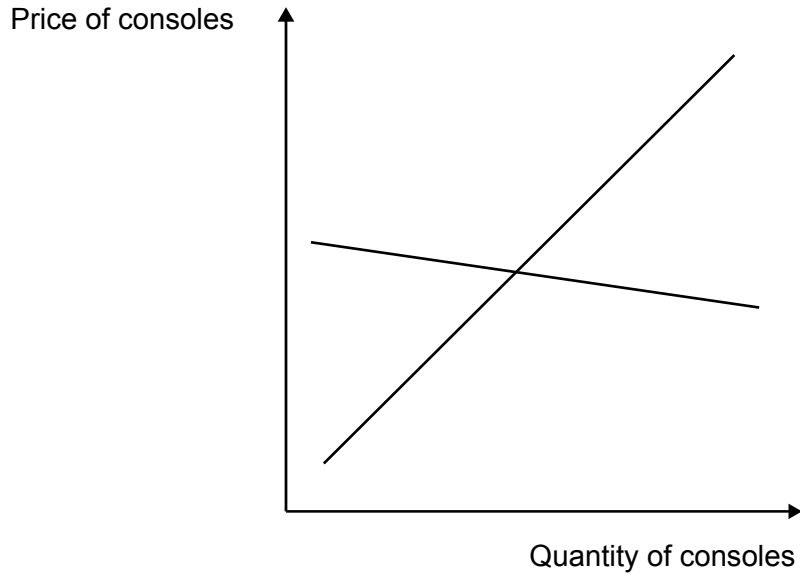
Nintendo has stopped production of the Wii console in favour of the new Switch, launched in 2017. The Nintendo Switch allows players to game 'on the go' and is priced at around £250.

Answer **all** the questions.

1 (a) (i) Complete the diagram below by labelling:

- the demand (D) **and** supply (S) curves
- the market equilibrium (P1, Q1).

**The market for Xbox consoles**



[4]

(ii) Other than the price of Xbox consoles, state **two** factors which may affect the demand for Xbox consoles.

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- 2 .....
- .....

[2]



(c) Explain **two** features of the games console market which may lead it to be described as an oligopoly.

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(d) Explain **one** way in which UK competition policy may be used to alter business behaviour.

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[3]

- 2 Identify **two** examples of **internal** economies of scale which may affect *The Devon Gaming Bus* if it operates a second minibus.

Analyse the impact of each example on *The Devon Gaming Bus*.

Internal economy of scale 1

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Analysis of impact

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Internal economy of scale 2

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Analysis of impact

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**5** Recommend how the finance and marketing functions of *The Devon Gaming Bus* should respond if the UK economy enters a recession. Justify your recommendations.

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**ADDITIONAL ANSWER SPACE**

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s) – for example 1(b) or 3(a).

A large rectangular area with a solid vertical line on the left side and horizontal dotted lines across the page, providing space for writing answers.



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